

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 NEA-10 IO-10 H-02 L-03 PA-01

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SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 HUD-01

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P 170328Z OCT 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 8604

INFO AMEMBASSY JAKARTA PRIORITY

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USADB

E.O. 11652: ADS, DECLAS 1/16/76

TAGS: EFIN, EAID

SUBJECT: PROPOSED TECHNICAL ASSISTANCE TO INDONESIA FOR BANDUNG
URBAN DEVELOPMENT AND SANITATION PROJECT

FOR NAC AGENCIES

SUMMARY: ADB MANAGEMENT PROPOSES TO ACT AS EXECUTING
AGENCY FOR UNDP-FINANCED TECHNICAL ASSISTANCE (TA) TO
BANDUNG URBAN DEVELOPMENT AND SANITATION PROJECT. PRO-
POSED PROJECT HAS BEEN DESIGNED TO ASSIST INDONESIAN
AUTHORITIES IN FORMULATION OF (A) MASTER PLAN FOR LONG-
TERM URBAN DEVELOPMENT OF BANDUNG MUNICIPALITY AND (B)
FEASIBILITY STUDY FOR FIRST STAGE PROJECT WHICH WULD
FACILITATE SHORT-TERM INVESTMENT CONSIDERATION. THIS
WOULD BE ADB'S FIRST INVOLVEMENT IN AN URBAN DEVELOPMENT
PROJECT IN A DEVELOPING MEMBER COUNTRY. USADB RECOMMENDS
FAVORABLE NAC ACTION. END SUMMARY.

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1. ADB DOC. R 96-75 DESCRIBING PROPOSED TA POUCHED ADDRESSEES. BOARD CONSIDERATION SCHEDULED OCTOBER 30.

2. POPULATION OF MOST MAJOR CITIES IN INDONESIA HAS GROWN AT ALMOST TWICE 2.4 PERCENT PER ANNUM NATIONAL RATE DURING LAST FIVE YEARS. SIZEABLE PORTION OF URBAN POOR IS LIVING UNDER SUB-STANDARD CONDITIONS IN SLUMS AND SQUATTER SETTLEMENTS. MANAGEMENT AND RESOURCE RESTRAINTS HAVE HINDERED INDONESIAN GOVERNMENT EFFORTS TO KEEP SITUATION FROM BECOMING INTOLERABLE. URBAN DEVELOPMENT OF BANDUNG, COUNTRY'S THIRD LARGEST CITY AND CAPITAL OF PROVINCE OF WEST JAVA, IS CONSIDERED ONE OF MOST URGENT CASES WITH URBAN POOR CONSISTING ABOUT 80 PERCENT OF POPULATION. CITY IS MAIN CENTER OF EDUCATION IN WEST JAVA AND IS HEADQUARTERS OF STATE-OWNED RAILWAYS AND POST AND TELEPHONE ENTERPRISES.

3. RAPID RISE IN BANDUNG'S POPULATION, ESPECIALLY SINCE 1971, TO 1.26 MILLION IN 1975, IS LARGELY DUE TO MIGRATION FROM RURAL AREAS AND IS CAUSING MUCH CONCERN TO CITY/PROVINCIAL GOVERNMENT PLANNERS. PRESENT AVERAGE POPULATION DENSITY IN BANDUNG MUNICIPALITY IS HIGHEST IN INDONESIA. THIS HAS RESULTED IN HIGH INCIDENCE OF URBAN UNDER AND UNEMPLOYMENT; ACUTE HOUSING SHORTAGE, EMERGENCE OF SQUATTER SETTLEMENTS; INADEQUATE WATER SUPPLY, SEWERAGE, DRAINAGE, SOLID WASTE DISPOSAL FACILITIES, ETC., WHICH LEAD TO DETERIORATION IN HYGIENE, HEALTH AND ENVIRONMENT.

4. IN JUNE, 1973, BANK PROVIDED TA FOR BANDUNG WATER SUPPLY PROJECT, AT WHICH TIME CONSULTANTS ALSO IDENTIFIED NEED FOR IMPROVEMENT, REHABILITATION AND EXPANSION OF CITY'S SANITATION SERVICES. THIS WAS CONCURRED IN SUBSEQUENTLY BY BANK MISSION WHEN WATER SUPPLY PROJECT LOAN PROPOSAL WAS BEING APPRAISED. (LOAN OF \$11.5 MILLION FOR PROJECT WAS MADE IN NOVEMBER 1974, WHICH IS EXPECTED TO INCREASE SUBSTANTIALLY SUPPLY OF POTABLE WATER TO CITY'S LOW-INCOME FAMILIES.)

5. BELGIAN GOVERNMENT IS CURRENTLY FINANCING LONG-TERM LIMITED OFFICIAL USE

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CONCEPTUAL PLAN FOR URBAN DEVELOPMENT TO INCLUDE SHORT-TERM (5 YEARS) GOALS FOR BANDUNG CENTRAL AREA. STUDY, WHICH DOES NOT COVER SANITATION FACILITIES AND IS ONLY INTENDED TO INDICATE DIRECTIONAL DEVELOPMENT OPTIONS, IS EXPECTED TO BE COMPLETED BY END-1975. AS PART OF UNICEF-FINANCED TA FOR REGIONAL AND URBAN DEVELOPMENT STUDIES IN INDONESIA, SOCI-ECONOMIC SURVEYS ARE CURRENTLY IN PROGRESS IN THREE LOW INCOME HOUSING AREAS IN BANDUNG.

NETHERLANDS GOVERNMENT IS NEGOTIATING TA AGREEMENT FOR LIMITED SCOPE SOLID WASTE DISPOSAL STUDY FOR FOUR INDO-NESEAN CITIES, INCLUDING BANDUNG. NO DUPLICATION OF EFFORT IS ENVISAGED BETWEEN ABOVE TAS AND PROPOSED PROJECT.

6. PROPOSED TA PROVIDES FOR PREPARATION OF MASTER PLAN AND FEASIBILITY STUDY FOR FIRST STAGE PROJECT FOR BANDUNG MUNICIPALITY. MASTER PLAN WOULD AIM AT ASSISTING GOVERNMENT IN DIRECTING LONG-TERM URGAN DEVELOPMENT NEEDS UP TO YEAR 2000. IT WOULD RECOMMEND DEVELOPMENT STRATEGY AFTER EXAMINING DEMOGRAPHIC AND SOCIO-ECONOMIC ASPECTS; MIGRATIONS PATTERNS; STUDY OF FACITITIES NEEDED FOR MIGRANTS; EMPLOYMENT OPPORTUNITIES, SATELLITE SETTLEMENT; HOUSING; SEWERAGE; DRAINAGE; SOLID WASTE DISPOSAL; ENVIRONMENTAL AND ECOLOGICAL ASPECTS AND LAND USE; AND CONSIDERATION OF FINANCIAL/ECONOMIC BENEFITS. FEASIBILITY STUDY WOULD FORMULATE WELL DEFINED FIRST STAGE PROJECT READY FOR INVESTMENT DECISIONS. COMPONENTS WULD INCLUDE IMPROVEMENT OF EXISTING LOW INCOME HOUSING AREA AND CONSTRUCTION OF NEW SUCH AREA; DEVELOPMENTAL ASSISTANCE TO BUILDING MATERIAL PRODUCTION INDUSTRY AND VOCATIONAL TRAINING CENTERS TO PROVIDE SKILLS USEFUL IN COTTAGE INDUSTRIES; AND REHABILITATION AND EXPANSION OF CITY'S SEWERAGE, DRAINAGE AND SOLID WASTE DISPOSAL SYSTEMS. IT IS ANTICIPATED THAT WORK ON FEASIBILITY STUDY FOR FIRST STAGE PROJECT COULD BEING ABOUT THREE MONTHS AFTER MASTER PLAN PREPARATION COMMENCES.

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P 170328Z OCT 75

FM AMEMBASSY MANILA
TO SECSTATE WASHDC PRIORITY 8605
INFO AMEMBASSY JAKARTA PRIORITY

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7. CIPTA KARYA (DIRECTORATE GENERAL OF HOUSING, PLANNING, AND ELECTRIC POWER), WHICH IS ALSO EXECUTING AGENCY FOR BANDUNG WATER SUPPLY PROJECT, WOULD BE GOVERNMENT COOPERATING AGENCY FOR PROPOSED PROJECT. IT IS RESPONSIBLE THROUGH DIRECTORATE OF SANITARY ENGINEERING (DTP) FOR MAJOR GOVERNMENT-FINANCED PROJECTS IN THIS AREA. NINE FINANCIAL MANAGEMENT AND THREE ENGINEERING CONSULTANTS ARE BEING PROVIDED TO DTP UNDER IBRD-FINANCED JAARTA URBAN DEVELOPMENT PROJECT. IN VIEW URBAN DEVELOPMENT ASPECTS, CIPTA KARYA WOULD CONSULT WITH PERUMNAS (NATIONAL URBAN DEVELOPMENT CORPORATION) ESTABLISHED IN 1974.

8. FOR PROJECT IMPLEMENTATION, EXPATRIATE CONSULTING TEAM OF ABOUT 14 EXPERTS IS CONTEMPLATED IN URBAN PLANNING, HOUSING, SEWERAGE AND DRAINAGE, DEMOGRAPHY, ECONOMICS, SOCIOLOGY, FINANCE AND MANAGEMENT. ABOUT 131 MAN-MONTHS OF CONSULTING SERVICES OVER 12-MONTH PERIOD ARE ESTIMATED TO BE REQUIRED AT TOTAL COST OF \$1,370,000. UNDP WOULD FINANCE \$1,163,000 FOREX COMPONENT WITH LIMITED OFFICIAL USE

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GOVERNMENT PROVIDING \$207,000 EQUIVALENT LOCAL COSTS IN KIND.

9. AS EXECUTING AGENCY BANK WOULD RECEIVE FROM UNDP STANDARD FEE (AMOUNTING TO 14 PERCENT OF UNDP CONTRIBUTION) TO COVER OVERHEAD EXPENDITURES. BANK WOULD ALSO ANTICIPATE ASSISTANCE FROM WHO IN CERTAIN SPECIALIZED FIELDS RELATED TO SANITARY ENGINEERING AND UNICEF FOR CONDUCTING SOCIO-ECONOMIC SURVEY OF BANDUNG'S LOW INCOME HOUSING AREAS, WHICH WOULD BE FINANCED UNDER UNDP CONTRIBUTION. IT IS CONTEMPLATED THAT GOVERNMENT MAY SUBMIT FIRST STAGE PROJECT TO BANK FOR CONSIDERATION OF LOAN FINANCING IN 1977. SUCH PROJECT IS TENTATIVELY ESTIMATED AT ABOUT \$45 MILLION, INCLUDING \$19 MILLION FOREX COMPONENT AND WOULD BENEFIT ABOUT 25 PERCENT OF EXISTING LOW INCOME SEGMENT OF POPULATION.

10. PROPOSED PROJECT WOULD BE BANK'S FIRST INVOLVEMENT IN URBAN DEVELOPMENT AREA AND IS AIMED AT DIRECTLY BENEFITING LOW INCOME GROUPS. SINCE BANK IS ALREADY INVOLVED IN RELATED WATER SUPPLY PROJECT FOR BANDUNG,

USADB BELIEVES PROPOSED PROJECT WOULD BE LOGICAL EXTENSION OF ITS EFFORTS INTO BROADER ASPECTS OF URBAN DEVELOPMENT. IT WOULD ALSO PROVIDE BANK WITH CONSIDERABLE EXPERIENCE FOR SUBSEQUENT PROJECTS IN OTHER DEVELOPING MEMBER COUNTRIES. USADB SUPPORTS PROPOSAL AND RECOMMENDS FAVORABLE NAC ACTION.

11. REQUEST JAKARTA'S COMMENTS FOR NAC AGENCIES, INFO USADB MANILA, PURSUANT TO STATE 119795, DATED 3 JULY 1972. SULLIVAN

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